From:	Ehud Barak <ehbarak1@gmail.com>
To:	Moghadam, Mazy <mazy.moghadam@juliusbaer.com>
CC:	
Date:	Sat, 8/1/2015 7:57:07 AM
Subject:	Re: interesting read....Cyber-boom or cyber-bubble ? ...Israel's Computer-Security Firms....

Hi Mazy
Quite accurate description.
EB

Sent from my iPhone

On Jul 31, 2015, at 12:58, Moghadam, Mazy <mazy.moghadam@juliusbaer.com> wrote:

> Dear Ehud,
> I just saw this article. Not sure what you make of it?
> Going to Bodrum tomorrow.
> Regards,
> Mazy
>
> Sent from my BlackBerry 10 smartphone.
>
> **From:** Lerch, Michael <michael.lerch@juliusbaer.com>
> **Sent:** Friday, 31 July 2015 18:49
> **Subject:** interesting read....Cyber-boom or cyber-bubble ? ...Israel's Computer-Security Firms....
>
> **...from The Economist.com**
>
> **Israel's computer-security firms**
>
> **Cyber-boom or cyber-bubble?**
> **Internet security has become a bigger export earner than arms**
>
> ISRAEL'S arms exports fell last year. Cutbacks in the defence budgets of many Western countries pushed the global sales of Israeli weapons systems down to $5.7 billion, $1 billion less than in 2013. Unexpectedly, another security-related industry took up the slack. For the first time, the country sold more cyber-wares than arms. According to figures published recently by the cyber-task-force in the prime minister's office, **in 2014 Israeli companies sold around $6 billion of internet-security software, equivalent to about a tenth of the entire worldwide sales of such stuff.**
>
> A big chunk of that came from Check Point, best known for its ZoneAlarm antivirus software for home computers, and a provider of a broad range of online-security products for business. Its revenues last year were $1.5 billion. But Israel is also producing lots of cyber-security startups. Last year eight of them were sold to foreign investors, for a total of $700m. In September CyberArk, which specialises in protecting firms against attackers who pose as system administrators and other insiders, had one of the year's biggest IPOs on the American NASDAQ market, and its current valuation is around $2 billion.
>
> **The number of Israeli cyber-security companies has doubled over the past five years to 300.** Demand for their products has boomed, as businesses and governments everywhere have come to realise—often the hard way—that they need to protect

themselves against hacking. And Israel has a good supply of experienced software engineers. They come mainly from two sources: first, employees of the 280 high-tech development centres in Israel owned by foreign multinationals, who have begun to strike out on their own; and second, the hundreds of people with suitable skills who leave the Israel Defence Forces each year. The forces have for decades been developing their capabilities—both defensive and offensive—in cyber-warfare, and this policy is now paying a civilian dividend.

The many serious hacking incidents of recent years have shown that computer systems can be infiltrated through all sorts of channels, for instance through mobile devices, or by breaking into databases hosted by a third party in the online "cloud". Earlier software was able to detect known strains of computer viruses, but the rapid evolution of malware has, among other things, given rise to companies offering software that predicts where hackers may next attack and provides defences against them. Some of Israel's cyber-security startups have established themselves as market leaders.

Nevertheless, a few Israeli entrepreneurs worry that the cyber-startup boom may be turning into a **bubble**. "Every kid who leaves **Unit 8200** [the Israeli forces' electronic-intelligence operation] thinks he's going to be a cyber-millionaire, and then some of the startups are immediately evaluated at $5m without having done anything," grumbles an Israeli venture capitalist. "There is a bit of a bubble vibe" to what is happening, says Yigal Erlich, one of the pioneers of Israel's venture-capital scene. "There could be a limit to this cyber-market. But on the other hand, for Israeli technology this is a perfect niche-market in which local companies can become world leaders."

Gadi Tirosh, the managing partner of JVP, a venture-capital fund based in Jerusalem and chairman of CyberArk, says that over the past two years his fund has examined nearly 300 startup projects in the cyber field but does not believe there is a bubble. "What we are seeing is an overnight evolution, which happened when the chief security officers of corporations around the world suddenly realised how vulnerable they are, and that the cyber-attack can come from anywhere, including from within…That fear is only growing, and in the cyber-industry, that fear means money." To tap into the reservoir of technically experienced yet often financially naïve software engineers looking to enter the industry, JVP has set up a campus in the southern city of Beer Sheva, which serves as an incubator for startups.

The Israeli firms' main competitors are, unsurprisingly, mostly based in **Silicon Valley**, where the startup culture, and all the financing and advice that goes with it, is far stronger and longer-established. But the boss of one Israeli firm argues that it and its peers have a big advantage over their American counterparts: the "Edward Snowden factor". Since the former contractor to the US National Security Agency revealed how much American technology firms were co-operating with the agency, including putting "backdoors" in their software to allow surveillance, clients around the world are looking for "non-American security" for their data, the Israeli entrepreneur claims. Notwithstanding the very close relationship between American and Israeli intelligence, and the links that many Israeli cyber-security entrepreneurs have with their country's armed forces, the cyber-boss reckons that in many cases, "Israel is their only alternative."

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